

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

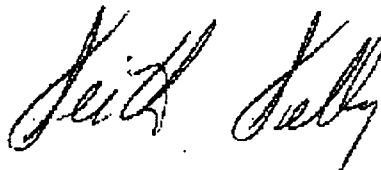
**Notice FC-205**

**For:** State and County Offices

1941-A, 1943-A,  
1945-D, 1980-B

**COC Decisions on Direct and Guaranteed Loans**

**Approved by:** Administrator



**1 Overview**

**A  
Background**

Loan eligibility, beginning farmer or rancher, and borrower training determinations for direct and guaranteed loans traditionally have been made by COC's. The Civil Rights Action Team recommended that the COC's role in loan programs be reduced to improve service. The Secretary has accepted that recommendation.

**B  
Purpose**

This notice:

- modifies the eligibility determination process for direct and guaranteed loans
- allows COC's to delegate responsibility for making borrower training determinations until FmHA Instructions are amended
- obsoletes Notice FC-158.

**C  
Contact**

State Offices shall direct questions about this notice to LMD.

**Disposal Date**

March 1, 1999

8-5-98

**Distribution**

State Offices; State Offices relay to County Offices

## Notice FC-205

### 2 Effects of Changes

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#### A Eligibility Decisions

This notice eliminates the requirement for COC's to make decisions on either direct or guaranteed loan requests concerning:

- loan eligibility for direct and guaranteed loans
- beginning farmer or rancher status.

The authority and responsibility for these determinations are hereby delegated from the Administrator to Agency credit officials with loan approval authority.

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#### B Borrower Training Decisions

7 CFR 1980.191 requires determinations of an applicant's need for enhanced training in production and financial management concepts to be made by COC. This notice gives COC the authority to delegate borrower training determinations for direct and guaranteed loans to all credit officials with loan approval authority. The delegation is not limited to specific individuals. All delegations must be documented in the minutes and signed by at least a majority of COC members.

SED's shall encourage COC's to delegate this authority to minimize the processing time for direct and guaranteed loans.

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#### C County Office Action

FmHA 440-2 shall be completed and signed on the reverse by a credit official with loan approval authority.

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#### D Role of COC in Loan Making

COC is an important resource in the County Office.

COC shall continue to act in an advisory capacity to loan officials, providing them with vital information about local agricultural practices, production conditions, and loan applicants.

**Example:** Loan officials should consult with COC in determining typical business and production practices in the area, typical share lease terms, cultural practices, and production contract provisions. This and similar local information are essential in providing meaningful advice to applicants and supervision to borrowers.

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**2 Effects of Changes (Continued)**

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**D  
Role of COC in  
Loan Making  
(Continued)**

Loan officials should:

- consult with COC regularly to stay informed of any conditions in the area that may affect demand for FSA loans
  - work closely with COC in conducting outreach activities, such as informational meetings, fair booths, and field days
  - attend COC meetings at least quarterly to keep COC informed of loan program activity in the county or area.
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**E  
Role of COC in  
Loan Servicing**

COC shall continue to make recommendations and determinations as specified in loan servicing instructions. This includes determinations regarding inventory property according to RD Instructions 1955-B, section 1955.63 and 1955-C, sections 1955.107(a)(2)(ii) and 1955.137(b).

COC has critical responsibilities in debt settlement actions as stated in RD Instruction 1956-B and releases of personal liability as stated in FmHA Instruction 1965-A. COC must continue to annually certify in writing that the credit and eligibility reviews required by section 635 of the Federal Agriculture Improvement and Reform Act of 1996 have been completed. COC shall also act in a general advisory capacity to loan officials in loan servicing activities similar to its role in loan making.

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**F  
Obsolete  
Material**

Notice FC-158 is obsolete.

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